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## Idaho Transportation Department

### Management Report on Financial Procedures

Issued: April 1, 2004  
Fiscal Year: 2001, 2002, and 2003



## EXECUTIVE SUMMARY LEGISLATIVE AUDITS

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### IDAHO TRANSPORTATION DEPARTMENT

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**PURPOSE AND SCOPE.** We have completed certain financial audit procedures on the Idaho Transportation Department's financial activities that occurred during the fiscal years ended June 30, 2001, 2002, and 2003. These procedures, together with procedures performed at other State agencies, allow us to express our opinion on the statewide basic financial statements prepared by the State Controller's Office. Since a major federal program was present, appropriate procedures and required tests were made in order to issue the federally required *Single Audit Report*.

**CONCLUSION.** Three findings and recommendations are included in this report, that will, if implemented, improve efficiency, effectiveness, compliance, and controls of the Department. Although we discussed three issues for improvement, we conclude that the financial operations of the Department meet accepted standards and that the Department substantially complies with laws, regulations, rules, grants, and contracts for which we tested compliance.

**FINDINGS AND RECOMMENDATIONS.** We have summarized the three findings and recommendations below.

**FINDING #1.** Accounting for receipts at the Division of Aeronautics can be improved. The Department's Division of Aeronautics could improve accounting for receipts by billing and depositing collections in a timely manner, making reconciliations to ensure all amounts are properly collected, and monitoring and collecting receivables. The following explains:

- The Division does not always request reimbursement from the Federal Aviation Administration (FAA) in a timely manner. For example, the Division requested reimbursement of about \$130,000 for eligible costs incurred over more than a year and \$233,000 for costs incurred over six months.
- The Division sometimes held collections for up to a month before making a deposit.
- The Division could not provide documentation that it monitored or tried to collect all in-State air transportation billings, some of which were billed a year ago.
- The Division could not explain why conference registration fees deposited did not agree with the amount reported as collected or why, although some registrations showed that money was remitted, the amount was not recorded as collected.

**We recommend** that the Division of Aeronautics improve internal controls and accounting procedures over receipts by billing and depositing all money in a timely manner, following up on past-due accounts, and reconciling fees collected with amounts deposited.

**FINDING #2.** Controls over expenditures can be improved. Internal controls over the major processing systems for most of the Department's \$500 million of expenditures were good. However, controls can be improved for some types of transactions. For example:

- Monthly purchasing card (P-card) statements are not always signed by the cardholder. Requiring cardholders to sign monthly statements, thereby signifying agreement with charges to their P-cards, will reduce the risk that inappropriate charges will go undetected.
- Employees did not (1) sign travel vouchers, (2) provide dates, time, and destinations, (3) explain the mode of transportation, (4) report lodging information, nor (5) explain the purpose for the travel as required by Department policies. This information helps ensure that travel is valid and paid in accordance with State regulations.
- The Division of Aeronautics could not provide documentation explaining (1) why some airports were charged for supplies and others were not, (2) why the number of items billed to airports did not always agree with the number of items shipped, and (3) how the amounts charged for supplies were calculated.

**We recommend** that the Department improve internal controls of expenditures by requiring cardholders to review and approve P-card statements, completing travel vouchers in accordance with policies, and properly accounting for supply inventory transactions.

**FINDING #3.** The Division of Aeronautics' accounting for courtesy cars should be improved or the program modified. The Division owns about 20 courtesy cars that are assigned to airports throughout the State. Courtesy cars provide ground transportation to visitors when transportation is unavailable or limited. The airports maintain the vehicles, collect user fees of about \$10,000 a year, and provide monthly usage and accounting reports to the Division. Some accounting problems with the program are:

- Courtesy car money has been stolen and, in some instances, cash shortages occurred but went undetected by the Division.
- Monthly airport reports were not accurate. Revenue amounts reported did not agree with amounts deposited, expenditures were not recorded on the financial reports, and beginning cash balances did not agree with the prior report's ending cash balances.
- Some airports do not reconcile the joint State and airport courtesy car checking account in a timely manner and some airports do not maintain a check register.
- Some airports deposit receipts to personal accounts before transferring them to the courtesy car checking account.

These problems are caused by the inherent risk and control issues of the program. At many airports there is an opportunity for fraud because one person has total control of the money and the accounting records. Also, many of the financial reporting errors were not questioned or investigated by the Division because employees are not properly trained to review financial reports.

**We recommend** that the Division consider modifying the courtesy car program. Specifically, the Division should consider providing vehicles to the local airports and letting the airports operate the courtesy car program. If the Division decides not to modify the program, the Division should train the program manager on how to effectively monitor the financial operations of the program, and perform periodic reviews of the local airports' courtesy car program to ensure compliance with the agreements and State laws, and to ensure, as much as possible, adequate internal controls and accurate accounting.

**PRIOR FINDINGS AND RECOMMENDATIONS.** The prior report contained five findings and recommendations, all of which are closed. The first finding about inaccurate stockpile accounting records is closed because the Department now conducts year-end physical inventories and records these amounts in the accounting records. The second finding was closed when the Department and the International Registration Plan (IRP) Review Team changed procedures for following-up annual fee test issues, and when the Department requested the two companies that calculate and apportion fees to IRP members receive an independent review (SAS 70 audit). The third finding was closed when the Department developed the recommended internal controls. Finally, the fourth and fifth findings were closed when the Department completed an Information Technology Resumption Plan and developed a detailed security policy for its network, Internet, and all software and hardware.

**AGENCY RESPONSE.** The Department has reviewed the report and is in general agreement with its contents. The Department's response to each finding is included in the Findings and Recommendation section of the complete report.

**FINANCIAL SUMMARY.** The procedures completed and described above help us express our opinion on the fairness of presentation of the *Statewide Comprehensive Annual Financial Report (CAFR)*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

The State Highway Fund is the Department's primary operating fund and is used for highway planning, construction, maintenance, vehicle services, and administration. Receipts to the Highway Fund are primarily from fuel taxes and registration fees transferred from the Highway Distribution Fund, and reimbursements from the Federal Highway Administration. In fiscal year 2003 the Department made expenditures of about \$414 million from the State Highway Fund, \$89 million for personnel costs, \$47 million for operating expenses, \$274 million for capital outlay (\$256 million for highway projects), and \$4 million to local governments as trustee and benefit payments.

A summary of the Department's financial operations for fiscal years 2001, 2002 and 2003 is provided below. A description of each fund is provided in the appendix of the full report.

**Fiscal Year 2001**

Fund Name	July 1, 2000 Beginning Cash	Receipts and Transfers-In	Disbursements and Transfers-Out	June 30, 2001 Ending Cash
State Aeronautics	\$1,006,068.54	\$2,309,540.82	\$1,899,128.72	\$1,416,480.64
Local Highway Distribution*	26,872,388.52	119,568,286.11	117,336,342.25	29,104,332.38
Local Bridge Inspection	116,085.93	111,359.28	55,372.33	172,072.88
Railroad Grade Crossing	258,022.43	279,068.92	4,821.41	532,269.94
State Highway Fund	85,385,040.65	389,815,869.85	388,486,792.41	86,714,118.09
Highway Restricted Disaster	4,515,134.04	448,335.54	1,082,586.90	3,880,882.68
Highway Distribution**	31,674.17	313,949,417.71	313,738,013.28	243,078.60
Plate Manufacturing	896,762.47	2,067,445.49	1,511,956.08	1,452,251.88
Highway Safety	78,282.99	1,438,338.14	1,506,788.35	9,832.78
Abandoned Vehicle	40,748.69	2,304.46	2,486.63	40,566.52
Local Government Suspense***	1,224,317.34	91,987.45	291,256.80	1,025,047.99
Motor Vehicle Suspense	2,728,080.19	10,101,575.74	10,692,634.84	2,137,021.09

**Fiscal Year 2002**

Fund Name	July 1, 2001 Beginning Cash	Receipts and Transfers-In	Disbursements and Transfers-Out	June 30, 2002 Ending Cash
State Aeronautics	\$1,416,480.64	\$2,121,542.32	\$1,868,761.52	\$1,669,261.44
Local Highway Distribution*	29,104,332.38	113,112,824.43	116,568,704.50	25,648,452.31
Local Bridge Inspection	172,072.88	111,551.24	63,339.28	220,284.84
Railroad Grade Crossing	532,269.94	285,343.34	0.00	817,613.28
State Highway Fund	86,714,118.09	380,315,602.91	387,557,163.22	79,472,557.78
Highway Restricted Disaster	3,880,882.68	164,791.61	1,187,114.85	2,858,559.44
Highway Distribution**	243,078.60	297,894,237.67	298,137,316.27	0.00
Plate Manufacturing	1,452,251.88	2,063,087.93	1,538,073.45	1,977,266.36
Highway Safety	9,832.78	1,571,670.82	1,499,820.53	81,683.07
Abandoned Vehicle	40,566.52	1,205.00	2,513.35	39,258.17
Local Government Suspense***	1,025,047.99	(316,255.67)	397,194.78	311,597.54
Motor Vehicle Suspense	2,137,021.09	9,771,299.83	9,838,208.15	2,070,112.77

**Fiscal Year 2003**

Fund Name	July 1, 2002 Beginning Cash	Receipts and Transfers-In	Disbursements and Transfers-Out	June 30, 2002 Ending Cash
State Aeronautics	\$1,669,261.44	\$2,605,560.29	\$2,491,202.04	\$1,783,619.69
Local Highway Distribution*	25,648,452.31	111,254,768.47	110,939,078.23	25,964,142.55
Local Bridge Inspection	220,284.84	110,382.00	111,319.14	219,347.70
Railroad Grade Crossing	817,613.28	1,614,244.00	359,978.99	2,071,878.29
State Highway Fund	79,472,557.78	407,043,531.16	418,737,278.36	67,778,810.58
Highway Restricted Disaster	2,858,559.44	105,895.35	938,916.01	2,025,538.78
Highway Distribution**	0.00	293,396,250.81	293,396,250.81	0.00
Plate Manufacturing	1,977,266.36	2,110,350.80	1,668,498.38	2,419,118.78
Highway Safety	81,683.07	1,406,775.53	1,486,287.87	2,170.73
Abandoned Vehicle	39,258.17	1,808.01	1,538.64	39,527.54
Local Government Suspense***	311,597.54	1,181,254.13	1,054,403.20	438,448.47
Motor Vehicle Suspense	2,070,112.77	9,978,719.60	10,052,477.85	1,996,354.52

\*The Local Highway Distribution Fund is used to make distributions of highway user revenue to local governments in accordance with Idaho Code.

\*\*The Highway Distribution Fund is used to collect and distribute highway user revenue to other funds, including the Local highway Distribution Fund in accordance with Idaho Code.

\*\*\*The Local Government Suspense Fund is used to retain city and county advances for local construction projects. Money is held in the fund until work on projects begins, at which time the money is transferred to the State Highway Fund.

**OTHER ISSUES.** In addition to the findings and recommendations, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Transportation Department and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the director, David Ekern, and his staff.

**QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:**  
Ray Ineck, CGFM, Supervisor, Legislative Audits  
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Report IC29003/CA29003/SA29003

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
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